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NEA/ELA(IRWIN)

E.O. 12958: DECL: 10/10/2012
TAGS: [PREL](#) [EAID](#) [EG](#)
SUBJECT: THE IMPACT OF CONDITIONING EGYPT'S FMF

Classified By: DCM Stuart Jones for reasons 1.4(b) and (d).

Summary

¶1. (C) Congressman Obey's proposal to condition USD 200 million of FMF for Egypt on progress on border security, judicial independence and police reform continues to vex senior GOE officials. Assistant Minister of Defense MG Mohamed Al Assar and a member of Foreign Minister Aboul Gheit's Cabinet reminded us separately on October 3 and 4 that Egypt cannot accept assistance with conditions. We

judge that Egypt's potential response to conditioning the FMF could range from a subtle reduction in cooperation to more overt protests. The Egyptian response will be calibrated, in part, to how vigorously they think we are working to ensure that FMF remains condition-free. End summary.

The Impact of Conditioning FMF

¶2. (C) It is impossible to predict precisely how Egypt may respond should the USG condition USD 200 million of FMF for Egypt in FY08, but it is certain there will be ramifications. The frequency and anger with which this issue is raised in official meetings and the GOE's public rejection of the conditioning language suggests that the mere discussion of the conditions has had a negative impact on U.S.-Egyptian relations. We judge that if the USG conditions USD 200 million of FMF, Egypt may refuse to accept the conditioned portion of the assistance, but will nonetheless accept the remaining USD 1.1 billion. Some additional measures Egypt could take include:

- imposing modest overflight fees through Eurocontrol (currently waived) or a USD 60,000 security surcharge (currently waived for USG vessels only) for each vessel transiting the Suez Canal;
- reducing, either systematically or on an ad hoc basis, the priority the Suez Canal Authority has traditionally extended to U.S. naval vessels for canal transits;
- adhering strictly to the notice requirements (normally waived) for overflight and canal transit permissions, particularly for nuclear vessels;
- restricting military representative access to Egyptian military facilities or officials;

-- decreasing military support for USG regional initiatives
(for example in Darfur);

-- increasing Egypt's visible engagement with other potential
suppliers of military equipment, especially China and Russia;

¶3. (C) In addition to the potential military impact of
conditioning a portion of the FMF, President Mubarak may also
either tolerate or support political measures aimed at
showing Egypt's displeasure and reminding us of Egypt's
strategic significance. Possible actions include: reduced
cooperation in multilateral fora such as the IAEA or UN,
increased public engagement with Syria and Iran, and more
vocal criticism of USG policies and initiatives. Egypt would
also further expand trade relations with Russia, China, and
European nations, choosing to cooperate with them on nuclear
energy or to contract with non-U.S. firms on major contracts
(for example, choosing Airbus vs. Boeing for Egypt Air's
fleet modernization).

Next Steps/Damage Control

¶4. (C) GOE officials are grateful for the letter
Secretaries Rice and Gates sent in defense of unconditional

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FMF. But they have expressly asked us to do more. We assess
that any GOE response to the outcome of the FY08 budget
process will depend more on the steps we take in their
defense than on our verbal statements of support.

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